

PROPOSED RULES

MARKET POWER -

1. Any entity ~~above~~ with a 20% ~~market~~ or greater share of the New England generation or transmission markets or of both markets ("20% entity"), must either sell off its assets in generation and transmission or achieve a result akin to selling assets to another unaffiliated company. This is especially ~~true~~ important if transmission and generation facilities are both controlled by a single entity. The 20% size restriction would apply to the combined total of generation and transmission facilities controlled.

2. There needs to be a very strong and active spot market to mitigate the market power of those entities that control a 20% or greater share of the generation in the New England generation market. This can be achieved by creating rules for these entities that encourage such a spot market, as follows:

a. Require "X" % of ~~their~~ a 20% entity's power market sales to be through this spot market.

b. Require ~~it~~ a 20% entity to publish, for all to see, the details of all bids, including prices, amounts, source of power and duration. With this information, the interested parties could scrutinize these transactions to determine if any abuses of market power are occurring and take appropriate action.

c. Require ~~it~~ a 20% entity to limit its competitive sales to customers within its original service territory until it relinquishes control over assets exceeding the size limit.

d. Require DPU approval for all competitive sales ~~from~~ from this entity ~~to get DPU approval~~ until market size is reduced below ~~specified~~ the 20% threshold.

3. Prohibit vertically integrated companies (even those achieving such integration through holding companies or other such vehicles) from participating in the retail competition market until there is an acceptable RTG in place that is not controlled by entities having a 20% or greater ~~than 20%~~ share in the New England generation market.

4. Clearly establish the market price for power so that utilities are not able to sell power at ~~such low rates~~ so low as to preclude sales by other competitors and ~~recover remaining~~

~~offset from stranded investment charges. Also, at the same time,~~
recover the price differential through the utilities' access charges. However, if market prices are set too high, utilities will not be able to recover all of their costs since sales will be taken by competitors.

TRANSMISSION -

1. The DPU (given it can exercise this authority in an indirect way) should scrutinize what non transmission costs are appropriately allowed into transmission costs; ~~specifically what.~~
Specifically, the DPU must carefully review proposals where
generation costs are being proposed for recovery in transmission costs as another vehicle to recover generation costs. Transmission costs should contain only those costs directly related to the provision of necessary transmission to meet the regional needs for safe and reliable delivery of power to customers.

2. For entities having significant generation and transmission assets, restrict the rate of return on transmission assets to reflect the lower risk of monopoly service from these facilities. ~~(does~~ facilities. (Does the DPU have this authority either directly or indirectly??)

3. Rates for network transmission service should provide credits to users of this service for their transmission investments that are integrated with and support the transmission ~~providers~~ provider's transmission system. This covers facilities that allow for power flows to and from both the transmission ~~customers~~ customer's generation and loads, and the transmission ~~providers~~ provider's generation and loads, which could result in power flowing over both the customer's and provider's facilities. Unless this credit is given for the transmission customer's facilities, network customers will be paying twice for transmission, once through their load ratio share, and again through investments in their own transmission facilities.

DISTRIBUTION-

1. For those distribution companies that do not control generation or are not affiliated with companies that have such control, provide a higher rate of return on their assets or some other bonus.

2. Regulation by the Energy Facilities Siting Board or the DPU will have to be eliminated or diminished for siting, financing or approval of generation and transmission. If ~~not done~~ such reductions in regulation do not occur, merchant facilities or those financed traditionally will be delayed beyond the time of need based on market forces.

STRANDED INVESTMENT -

1. Stranded cost should be recovered using the same method for all ~~effected~~ affected utilities -- above market value of the resource charged as a general access charge to all customers for a specified period of time. For those charges like nuclear decommissioning and other longer term items, a longer term would be acceptable to insure complete recovery. However, the rule must prevent a utility from being able to bid its power into the competitive market at artificially low prices with a guaranteed recovery of the remaining costs through an access charge. There needs to be a provision in the stranded cost recovery mechanism that prevents this and causes utilities to behave efficiently without the ability to undercut all non-utility competitors and be assured of full cost recovery.

2. Only offer 100% stranded investment recovery for those entities that do not have market power. Likewise if an entity controls 20% or more ~~than 20% of a~~ of the New England market for generation, transmission or both combined then it would be allowed to recover less stranded investment. For each percentage point the market share is above 20% the stranded investment recovery would be reduced by a multiple, say two, of this excess percent. As an example if an entity controlled 40% of the generation market it would only recover 60% of its otherwise allowed stranded investment.

----- COMPARISON OF FOOTERS -----

-FOOTER 1-

~~190435_1~~ **190435_2**